

BlockFi Wallet LLC

22-19366

Debtor

Reporting Period: February 1 - 28, 2023

**MONTHLY OPERATING REPORT
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BlockFi Wallet LLC
Debtor

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MONTHLY OPERATING REPORT

Notes to the Monthly Operating Report

This report includes activity from the following Debtor and its related Case Number:

Debtor	Case Number
BlockFi Wallet LLC	22-19366

Notes to MOR:

On November 28th, 2022 (the "Petition Date"), BlockFi Inc. and eight of its affiliates (collectively, the "Debtors" or the "Company") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors are operating their business and managing their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On November 28, 2022, the court entered an order [Docket No. 18] authorizing joint administration and procedural consolidation of these Chapter 11 cases pursuant to Bankruptcy Rule 1015(b) under the lead case *In re BlockFi Inc., et al.*, Case No. 22-19361. On December 21, 2022, the United States Trustee for the District of New Jersey (the "U.S. Trustee") appointed an Official Committee of Unsecured Creditors (the "Creditors Committee") [Docket No. 131]. No request for the appointment of a trustee or examiner has been made in these Chapter 11 cases.

BlockFi Wallet LLC (the "Debtor") is a Delaware Limited Liability Company, formed on August 10, 2021. BlockFi Wallet was organized to hold the non-interest-bearing crypto accounts of customers.

The Debtors are filing their Monthly Operating Report solely for the purposes of complying with the monthly operating report requirements applicable in the Debtors' Chapter 11 cases. The financial and supplemental information contained herein is presented on a preliminary and unaudited basis, remains subject to future adjustments, and may not comply in all material respects with generally accepted accounting principles in the United States of America ("U.S. GAAP") or International Financial Reporting Standards ("IFRS"). This Monthly Operating Report should not be relied on by any persons for information relating to future financial conditions, events, or performance of any of the Debtors or their affiliates.

The financial information has been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP or IFRS, and upon application of such procedures, the Debtors believe that the financial information could be subject to changes, which could be material. The information furnished in this report includes primarily normal recurring adjustments but does not include all adjustments that would typically be made for financial statements prepared in accordance with U.S. GAAP or IFRS. The preparation of the Financial Statements and MOR required the Debtors to make commercially reasonable estimates and assumptions with respect to the reported amounts of assets and liabilities, the amount of contingent assets and contingent liabilities at month end, and the reported amounts of revenues and expenses during the applicable reporting periods. Actual results could differ from such estimates.

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Except for cryptocurrency amounts owed to creditors and intercompany balances as of petition date, all information presented has been translated using prevailing prices as of UTC 23:59:59 as of the applicable period end.

When determining the prices for digital assets and liabilities, the Company assesses the principal market in which to sell the digital assets or in the absence of a principal market, the most advantageous market. Market prices for such assets and liabilities may be volatile and not be readily ascertainable. In addition, the Company's ultimate realized value will be based on outcomes that are difficult to predict and outside of the control of the Company. As a result, amounts ultimately realized by the Company may differ from the fair values presented.

Client balances reflected in the financial statements and this Monthly Operating report are as of UTC 1:15:00 on November 11, 2022 (20:15:00 prevailing Eastern Time on November 10, 2022).

The Debtors reserve all rights to amend or supplement this Monthly Operating Report in all respects, as may be necessary or appropriate. Nothing contained in this Monthly Operating Report shall constitute a waiver of any of the Debtors' rights or an admission with respect to their Chapter 11 cases.

Debtor Full-Time Employees:

This MOR includes the number of full-time employees as of the Petition Date and as of February 28, 2023. As described in the Wages Motion [Docket No. 16], the Debtors also employ Independent Contractors located outside of the United States, whose salaries and benefits are included in the payroll amounts included in the MOR for the employing debtor entity.

Notes to MOR Part 1

For the avoidance of doubt, the bank accounts, cash balances and associated cash receipts and disbursements set forth do not include assets held in the customer accounts referred to as the BlockFi Wallet product as described in the *Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to (A) Honor Withdrawals from Wallet Accounts, (B) Update the User Interface to Properly Reflect Transactions and Assets as of the Platform Pause, and (C) Conduct Ordinary Course Reconciliation of Accounts, and (II) Granting Related Relief* (the "Wallet Withdrawal Motion") [Docket No. 121]. As discussed in the Wallet Withdrawal Motion, the Debtors do not have a legal or equitable interest in the assets held in the Wallet Accounts; such held funds are owned by the Debtors' clients. Note that digital assets attributable to Wallet Accounts are separately captured in Part 2 under Inventory (2c).

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Notes to MOR Part 2 & MOR Part 4

The information contained in MOR Part 2 & MOR Part 4 is provided to fulfill the requirements of the Office of the United States Trustee. All information contained in MOR Part 2 & MOR Part 4 is unaudited and subject to future adjustment.

Accounts receivable (2a) represents the fair market value of digital asset loans ("Digital Asset Loans"), principal value of USD-denominated loans without reserves ("Loans"), accrued and unpaid interest owed to BlockFi denominated in digital assets ("Digital Assets Receivable"), accrued and unpaid interest owed to BlockFi denominated in USD ("Interest Receivable"), default interest where applicable ("Default Interest"), and intercompany receivables between BlockFi entities ("Intercompany Receivables"). Accounts receivable (2a) also includes claims on assets held on FTX.com, which was otherwise excluded from Cash (1d) and Inventory (2c), and claims for unpaid principal and interest owed for loans outstanding with Alameda Research, Three Arrows Capital, or any other borrower in default. Given the ultimate recoverability on Claims are being determined in separate proceedings, the Company has not reduced any of these amounts to an estimated recovery value in this report.

Inventory (2c) includes any safeguarding assets held for the benefit of Wallet accounts which we do not believe to be property of the estate. The offsetting liability is included in Prepetition Priority Debt (2l) & Post-petition Payables (2f).

Post-petition payables (2f) include general accounts payable and other accrued expenses and liabilities. Any post-petition interest accrued pursuant to the terms and conditions of any client agreements is included as liabilities subject to compromise.

Notes to MOR Part 7

Pursuant to certain orders of the Court in the Chapter 11 cases entered shortly after the Petition Date [Docket Nos. 43-44, 49, 50-52, and 55] (collectively, the "First Day Orders"), the Debtors were granted authority to pay certain outstanding prepetition payables, including payments outlined in the Cash Management, Tax, Utility, Insurance, Critical Vendor, and Wage Motions [Docket Nos. 7, 9-11, 13, and 16, respectively].

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SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Debtor name:	BlockFi Wallet LLC
Case number:	22-19366
CASH BEGINNING OF PERIOD	\$ -
RECEIPTS	
TOTAL RECEIPTS	
DISBURSEMENTS	
TOTAL DISBURSEMENTS	
NET CASH FLOW	
(RECEIPTS LESS DISBURSEMENTS)	
CASH END OF MONTH	\$ -

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PART 2
BALANCE SHEET (UNAUDITED)

Debtor name:	BlockFi Wallet LLC
Case number:	22-19366
Line item	Current Period
ASSETS	
CURRENT ASSETS	
Cash	\$ -
Restricted Cash	-
Stablecoin Held	-
Digital Assets Held	257
Indemnification Asset	317,213,729
Digital Assets Loaned	-
Loans, Net	-
Collateral Receivable	-
Intercompany Receivable from Affiliate Entities	2,915,950
Claims on Debtors in Bankruptcy (Estimate)	-
Mining Assets	-
Other Current Assets	99,256
TOTAL CURRENT ASSETS	320,229,191
NON-CURRENT ASSETS	
Deferred Tax Assets	-
Deferred Tax Assets, Valuation Allowance	-
Investment in Subsidiaries	-
Other Non-current Assets	6,954
TOTAL NON-CURRENT ASSETS	6,954
TOTAL ASSETS	320,236,146
LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES	
Other Liabilities	
Safeguarding Liability	317,213,983
Post-petition Payables	-
Intercompany Payable - Post-petition	733,897
TOTAL OTHER LIABILITIES	317,947,880
Liabilities Subject to Compromise	
Customer Liabilities	-
USD Collateral Due to Clients	-
Digital Asset Collateral Due to Clients	-
Institutional Borrowings	-
Intercompany Payable to Affiliate Entities	-
FTX Borrowings and Accrued Interest Payable	-
Regulatory Fines Payable	-
Other Liabilities	1,057,680
TOTAL LIABILITIES SUBJECT TO COMPROMISE	1,057,680
TOTAL LIABILITIES	319,005,560
TOTAL STOCKHOLDERS' EQUITY	1,230,585
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 320,236,146

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PART 4
STATEMENT OF OPERATIONS (UNAUDITED)

Debtor name:	BlockFi Wallet LLC
Case number:	22-19366
Line Item	Current period
REVENUE AND INTEREST INCOME	
Interest and Fee Revenue	\$ -
Other Revenue	-
TOTAL REVENUE AND INTEREST INCOME	-
INTEREST AND TRADING EXPENSES	
Interest and Fee Expense	-
TOTAL INTEREST AND TRADING EXPENSES	-
OPERATING EXPENSES	
Personnel Expenses	-
General & Administrative	-
Software & Technology	-
Sales & Marketing	-
Professional Fees	-
TOTAL OPERATING EXPENSES	-
OTHER OPERATING INCOME / (LOSS)	(1,028,352)
NET PROFIT / (LOSS)	\$ (1,028,352)